

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 L-03 EB-11 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 INRE-00 PA-04 PRS-01 INR-11

RSC-01 COME-00 OMB-01 AID-20 TRSE-00 SS-20 NSC-07

CIEP-03 STR-08 TAR-02 /113 R

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

INFO AMEMBASSY KINGSTON NIACT IMMEDIATE

AMCONSUL PARAMARIBO IMMEDIATE

AMEMBASSY SANTO DOMINGO IMMEDIATE

AMEMBASSY BRIDGETOWN PRIORITY

AMEMBASSY PORT OF SPAIN PRIORITY

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E.O. 11652:N/A

TAGS: EMIN EINV GY US

SUBJECT:PRESS GUIDANCE ON GUYANA BAUXITE TAX

1. THE FOLLOWING PRESS GUIDANCE WAS PREPARED FOR USE BY  
DEPT SPOKESMAN ON AN "IF ASKED" BASIS FOR SEPT 27 PRESS  
BRIEFING . NO QUESTIONS ASKED.

2. QUESTION: WHAT IS THE DEPARTMENT'S VIEW OF GUYANA'S  
RECENTLY-PASSED LEGISLATION IMPOSING A 16-FOLD TAX INCREASE  
ON AN AMERICAN-OWNED BAUXITE COMPANY?

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ANSWER: NEGOTIATIONS BETWEEN REYNOLDS METALS AND THE

GOVERNMENT OF GUYANA OVER A GOG DEMAND FOR A HIGHER RETURN ON ITS BAUXITE HAVE BEEN IN PROGRESS FOR SEVERAL MONTHS. IT IS OUR UNDERSTANDING THAT THE COMPANY OFFERED TO PAY AN INCREASE OF \$4 MILLION IN ANNUAL TAXES IN EXCHANGE FOR ASSURANCES THAT THE COMPANY COULD CONTINUE TO OPERATE IN GUYANA FOR THE NEXT FOUR OR FIVE YEARS. (THE GOG, IN ADDITION TO ASKING FOR A LARGER REVENUE RETURN, HAS ANNOUNCED ITS INTENTION TO NATIONALIZE THE REYNOLDS FACILITY BEFORE THE END OF 1974.) THE GOG INSISTED ON AN ANNUAL RETURN OF APPROXIMATELY \$7 MILLION WITHOUT RENOUNCING ITS INTENTION TO NATIONALIZE THIS YEAR.

THE DEPARTMENT DEEPLY REGRETS THAT THE GOG MOVED TO IMPOSE THIS NEW LEVY UNILATERALLY AT A TIME WHEN NEGOTIATIONS WERE IN PROGRESS ON MODIFICATION OF THE TAX LEVEL SPECIFIED IN THE CONTRACT BETWEEN GUYANA AND REYNOLDS.

THE RELATIVELY HIGH LEVEL OF THE TAX COUPLED WITH THE ANNOUNCED INTENTION TO NATIONALIZE REYNOLDS WITHIN THE NEXT THREE TO FOUR MONTHS, GIVES RISE TO VERY GREAT CONCERN ON OUR PART AS TO WHETHER OR NOT THE GOG INTENDS TO MEET ITS OBLIGATION TO PAY ADEQUATE COMPENSATION FOR ANY NATIONALIZATION ACTION. REYNOLDS HAS OPERATED IN GUYANA FOR MANY YEARS AND HAS ENJOYED A GOOD RELATIONSHIP WITH THE GOG. IT HAS INDICATED ITS DESIRE TO CONTINUE TO OPERATE THERE.

3. QUESTION: HAS THE DEPARTMENT BEEN INVOLVED IN THESE NEGOTIATIONS?

ANSWER: NORMALLY, THE USG DOES NOT BECOME A PARTY TO NEGOTIATIONS BETWEEN AMERICAN COMPANIES OPERATING OVERSEAS AND THEIR HOST GOVERNMENT. WE HAVE TRIED TO KEEP THE WAY OPEN FOR FURTHER NEGOTIATIONS AND WILL CONTINUE TO DO SO. WE WILL BE DISCUSSING DEVELOPMENTS WITH BOTH PARTIES AND WILL CONTINUE TO URGE NEGOTIATIONS TOWARD A JUST RESOLUTION OF THE ISSUES BETWEEN THE GOG AND REYNOLDS.

4. QUESTION: WHAT DOES THE DEPARTMENT INTEND TO DO NOW?

ANSWER: WE ARE STUDYING THE PROVISIONS OF THIS NEW LEGISLATION AND WILL BE DISCUSSING IT WITH THE GOVERNMENT LIMITED OFFICIAL USE

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OF GUYANA. WE SHALL ALSO BE IN TOUCH WITH REYNOLDS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BAUXITE, TAX LAW, LEVIES, NEGOTIATIONS, PRESS RELEASES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** DCNORTON:ARA/CAR:JRBURKE  
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**Handling Restrictions:** n/a  
**Image Path:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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**Review Authority:** izenbei0  
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**Review Content Flags:**  
**Review Date:** 11 SEP 2002  
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**Status:** NATIVE  
**Subject:** RESS GUIDANCE ON GUYANA BAUXITE TAX  
**TAGS:** EMIN, EINV, GY, US  
**To:** GEORGETOWN  
**Type:** TE  
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